

Loans for Beginning Farmers and Ranchers

The Farm Service Agency (FSA) provides direct and guaranteed loan assistance for beginning farmers and ranchers who are unable to obtain financing from commercial credit sources. The Agency targets a portion of its direct and guaranteed farm ownership (FO) and operating loan (OL) funds to beginning farmers.

Farm Ownership Loans

In addition to meeting all FO loan eligibility requirements, a beginning farmer or rancher must be an individual or business entity who:

- Has operated a farm or ranch for at least 3 years, but not more than 10 years.
- Does not own farm property totaling more than 25 percent of the average county farm or ranch acreage.
- If the applicant is a business entity, all members must be related by blood or marriage, and all stockholders in a corporation must be eligible beginning farmers or ranchers.

Operating Loans

In addition to meeting all OL eligibility requirements, a beginning farmer or rancher must be an individual or a business entity who:

- Has operated a farm or ranch for 5 years or less.
- If the applicant is a business entity, all members must be related by blood or marriage, and all stockholders in a corporation must be eligible beginning farmers or ranchers.

Maximum Loan Amounts

Direct loans are made and serviced by FSA while guaranteed loans are made and serviced by commercial lenders. Maximum loan amounts are \$200,000 for a direct OL loan and \$400,000 for a guaranteed OL loan; and \$200,000 for a direct FO loan and \$300,000 for a guaranteed FO loan.

Downpayment Farm Ownership Loan Program

FSA has a special downpayment FO loan program to assist beginning farmers and ranchers entering agriculture to purchase a farm or ranch. This program also provides a means for retiring farmers to transfer their land to a future generation of farmers and ranchers.

- An applicant must make a cash downpayment of at least 10 percent of the purchase price.
- FSA may provide a maximum amount equal to 30 percent of the purchase price or appraised value, whichever is less. The term of the loan is for 10 years at a fixed interest rate of 4 percent.
- The remaining balance, not to exceed 60 percent of the purchase price, may be obtained from a commercial lender or a private party. FSA can provide up to a 95 percent guarantee if financing is obtained from an eligible commercial lender.
- The purchase price or appraised value, whichever is lower, may not exceed \$250,000.

Sale of Inventory Farmland to Beginning Farmers or Ranchers

FSA advertises acquired farm property within fifteen days of acquisition. Eligible beginning farmers and ranchers are given first priority to purchase these properties at the appraised market value for the first 75 days after acquisition. If more than one eligible beginning farmer or rancher offers to purchase the property, the buyer is chosen randomly.

Joint Financing Plan

Beginning farmer or rancher applicants may choose to participate in a joint financing plan that is also available to other applicants. In this program, FSA lends up to 50 percent of the amount financed, and another lender provides 50 percent or more. FSA may charge an interest rate of not less than 4 percent.

Where to Apply

Applications may be made at the FSA county office serving the county where the farming operation will be conducted. The local FSA office is listed in the telephone directory under U.S. Government, Department of Agriculture, Farm Service Agency.

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To file a complaint, write the Secretary of Agriculture, U.S. Department of Agriculture, Washington, D.C., 20250, or call 1 800-245-6340 (voice) or (202) 720-1127 (TDD).

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